

3 March 1963

To Audit Branch Office Washington D.C.

Supt. Steel Corporation, Lexington Mass., Contract BT-1943:  
Detailed Audit Report for the period of expenditure  
through 25 January 1963

Enclosed:

(1) Copy of Document No. 1000 of 15 Feb 1963 whereof

(2) Memo No. 63-122 of 12 Feb 1963 (Act & Tax)

(3) Status of Contract as of 25 Feb 1963

(4) Auditor's Summary of costs incurred, discretion

through 25 Jan 1963

1. As requested in enclosures (1) and (3), an interim audit  
of the costs under the subject contract has been  
performed by the auditor. Results of the audit are  
set forth in enclosures (3) and (4).

2. For the purpose of classification, it should be  
understood that, while no formal interim audit has  
been performed prior to this time, continuous review  
has been effected by the auditor by means of repeated  
meetings with the project people and also by frequent  
determination of the cost needs pertinent to the job.

3. The apparent area of confusion that exists may well  
have been cleared by the end of February. As can be  
seen in enclosure (3) actual, booked (mined) costs  
through 25 January 1963 aggregate [redacted] by 25 this  
is added the estimate of February expenditures and the  
outstanding commitment, it can be seen in this new enclosure

(1)

Stat-intl [redacted] Net-current expenditures at the end of February will total

This plus a review of the expenditure forecast through completion does not appear to be indicative of over-run. It should be further noted that within the gross expenditures cited in the traps, [redacted] of [redacted] (material costs only) from the prior job (E-5).

4. The auditor has reviewed material costs for the items of more significant dollar value, and based upon this review has determined these costs to be allocable and applicable to work performed under the contract.

Direct labor has been traced from the cost ledger to the supporting & BM memo and on a test basis to the original labor records.

5. Instead of general ad administrator rates represent applicable by the contractor of activity book rate consistent with the provincial rates approved for billing purposes by the regional audit entity.

6. The auditor, subject to the further findings of the Contracting Office, would recommend a revision of the rate viewed as reasonable allocable and applicable to work performed under the subject contract.

7. If additional information is necessary concerning any fact which should be explored more thoroughly please call or write:

*Lew*

Dc:

15

Aug 1963

MEMORANDUM FOR: LEN

SUBJECT : Request for Assist Audit  
 Survey

TYPE: Cost Analysis

Cost Audit

Property Audit

Contract Data

TO: Mr. Sime Livingston I

BT-1943

RE: Cost to latest available dateD\* Interior

cc:

## REPS:

1. It is requested that (assist audit) cost analysis be performed as indicated above.
2. Please sign below and return the original copy of document No. 1088 upon receipt.
3. The working papers (audit) (should not) accompany the draft report of audit.
4. The attachments to this document are to be returned with the draft report.

BY Bell

REMARKS: Len: Attachment is for your information.  
 It looks like ITC is spending at a rate which may  
 produce a substantial overrun. Spendit would  
 appreciate having this interim audit expedited by you.  
Bell

Receipt is acknowledged for:

Date \_\_\_\_\_

Signature \_\_\_\_\_

Enclosure (1)

LAN-63-019  
11 Feb 1963

Dear Wendell:

STATINTL  
STATINTL

Our Lanyard contract, BT-1943, with ITEX now totals [redacted] dollars, including three follow-ons etc. By the end of February contractor will have incurred costs slightly in excess of [redacted] dollars. Contractor will have delivered all equipment prior to October 1963 but will definitely have responsibilities under the contract through the end of that month. At the present time ITEX is about half way through the program.

STATINTL

To the best of my knowledge an interim audit has not been performed as yet and in view of the progress of the work and the amount of costs incurred, I am wondering if an interim audit would not be in order at this time. I do not know what the practice has been heretofore; however, I believe that [redacted] has sufficient time to perform such an audit.

STATINTL

If neither you nor Bill G. see any objections to this I would like to request Len to perform such an audit at the earliest date and to prepare a detailed and official report as to the reliability of costs charged to BT-1943.

I would appreciate your advice on this.

2/7  
Art

Cy 1 - Wendell  
2 - BT 1943

**SECRET**

**SPECIAL HANDLING**

Memo No. 63-022  
12 February 1963

Dear Len:

As you may know, we are very close to definitizing Amendment No. 1 to Contract BT-1943. Dana sent me the revision to both the work statement and the specification and the Amendment is now being prepared. I hope to forward it to Dana for his signature within a week.

The total contract price is now [redacted] and contractor is over half way through in terms of time. end of this month, February, the forecast is [redacted] covering commitments, etc.

25X1A

25X1A

In view of the status of this contract at this time, from the standpoint of both money and time, I would like to have an interim audit performed by yourself. Would you, therefore, conduct an interim audit in the immediate future and furnish me with an official audit report covering all costs charged to the contract with your recommendations as to the allowability thereof.

Sincerely

*Art*  
Art

Cy 1 - Len  
2 - File

*Enclosure 2)*  
**SECRET**

**SPECIAL HANDLING**

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